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EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C.
20508**

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**FOR IMMEDIATE RELEASE
TUESDAY, OCTOBER 20, 1998**

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**U.S. GAINS MAJOR IMPROVEMENTS IN ACCESS
TO KOREAN MOTOR VEHICLE MARKET**

United States Trade Representative Charlene Barshefsky today announced successful resolution of the Super 301 action which the United States brought against the Government of Korea to secure a meaningful opening of that market for the sale of U.S. and other foreign vehicles. The Agreement announced this evening in Washington averts the imposition of trade sanctions and provides substantial opportunities for U.S. automakers by dismantling a range of discriminatory Korean trade barriers in the near term and by establishing a solid basis for steady improvement in the future.

“This Agreement addresses, in substantial detail, the fundamental concerns which led us to bring 301 action last Fall,” said Ambassador Barshefsky. “It will eliminate or streamline onerous standards and certification requirements, substantially reduce the tariff and tax burden on foreign motor vehicles, introduce a new, comprehensive secured financing mechanism to facilitate sales, and provide effective redress to any anti-import activity. We will be working closely with our auto industry and the Government of Korea to ensure compliance with the terms of this Agreement and the realization of the steady, continuing progress it calls for.”

In October 1997, the U.S. identified Korea’s barriers to imported motor vehicles as a priority foreign country practice, expressing disappointment with the progress achieved under a 1995 Memorandum of Understanding (MOU). The Agreement just reached substantially improves upon the earlier agreement by:

- Broadening the coverage of the Agreement to include minivans and sport-utility vehicles in addition to passenger cars (these are vehicles where U.S. manufacturers have significant comparative advantage);
- Addressing burdensome Korean standards and certification procedures which impede

exports of U.S.-manufactured vehicles by providing for: immediate action to streamline existing standards and certification requirements; and adoption of a U.S.-style system of self-certification by 2002. Korea will become the third country to establish a self-certification system, joining the United States and Canada;

- Substantially reducing the tax burden on autos, the result of which will be an average cost savings of over \$2,000 (2,750,000 won) per vehicle at the time of purchase, and about \$4,000 (5,500,000 won) over the life of a vehicle;
- Binding Korean tariffs on vehicles at 8 percent, which is below the level of European and Canadian tariffs;
- Introducing a system of secured financing that will enable Korean consumers to more easily finance purchases of U.S. vehicles; and
- Committing the Korean Government to a vigorous program to improve public perception of foreign autos.

In addition, the Korean Government assured the United States Government that the wide-ranging economic reform measures that it is now undertaking will result in substantial changes in the business environment in which Korean auto manufacturers operate, enhance management transparency and adherence to international business standards, and rationalize investment activities with market forces. In particular, the Korean Government will not direct any financial institution to extend loans to Korean manufacturers and will refrain from providing market-distorting subsidies to such companies.

“The comprehensive financial and economic reforms which the Korean Government is committed to achieve will certainly contribute to the creation of a market-driven and transparent Korean auto sector,” said Ambassador Barshefsky, “and thus will complement the specific market-opening commitments contained in the MOU. We will closely track the results of this Agreement on a qualitative and quantitative basis to ensure that our objectives of a more transparent, fair, and open marketplace are achieved. The proof of performance, of course, will be in the dedication of President Kim’s Administration to the implementation of this program.”

Background

A 1995 Memorandum of Understanding (MOU) between the United States and Korea sought to address trade-distorting practices impeding foreign market access to the Korean motor vehicle market. This successor MOU is designed to close loopholes and expand the scope of the 1995 MOU to achieve greater market access for U.S. motor vehicles.

It became apparent in 1997 that some of the provisions of the 1995 MOU had not been fully implemented and that more meaningful actions on a range of tariffs, taxes, and automotive standards was necessary to open the Korean motor vehicle market. In intensive bilateral negotiations between August and the end of September 1997, the U.S. Government made some

progress toward addressing Korea's barriers to auto trade. However, Korea's commitments in these talks did not reflect a willingness to satisfactorily implement the 1995 MOU.

In addition, Korea was not willing to address other barriers that the U.S. Government identified as priorities in the auto sector. Consequently, on October 1, 1997, the U.S. Government identified Korea's barriers to auto imports as a ~~A~~priority foreign country practice under Super 301 procedures. On October 20, USTR initiated a section 301 investigation, and on October 24, (as required under the law) USTR published a *Federal Register* notice announcing the initiation of this investigation.

Korea is the fifth largest auto manufacturer in the world but imports fewer cars than any other major auto-producing country. Foreign share in the Korean market is less than 1 percent, compared to roughly 5 percent for Japan, 25 percent in the EU, and 30 percent in the United States.